

STATE OF VERMONT



REQUEST FOR PROPOSALS

FOR AN

INDEPENDENT AUDIT

of

Vermont Energy Efficiency Utility Fund

STATE OF VERMONT REQUEST FOR PROPOSALS
INDEPENDENT AUDIT OF THE VERMONT ENERGY EFFICIENCY FUND

RFP RELEASED ON MAY 14, 2010

PROPOSAL DUE DATE: MAY 24, 2010, 2 p.m.

This RFP issued by
The State of Vermont
Public Service Board

PROPOSALS must be delivered to:
Batchelder Associates, PC
ATTN: Bonnie Batchelder
1 Conti Circle Suite 1
Barre, VT 05641

Request for Services for an Audit of the Vermont Energy Efficiency Utility Fund

Summary

The Vermont Public Service Board (“Board”) seeks the services of an independent accounting firm to conduct an audit of the annual financial statements of the Vermont Energy Efficiency Utility Fund (“VEEUF”) for the years ending December 31, 2009, and December 31, 2010. The Board reserves the option to extend any contract resulting from this Request for Proposals to include audits of the VEEUF for the years ending December 31, 2011, and December 31, 2012.

In addition to providing an audit report on the VEEUF Financial Statements, the auditor will also be requested to issue a written report on Batchelder Associates, PC’s (“Batchelder”) internal controls and compliance relative to its role as Fiscal Agent of the VEEUF. The VEEUF is a special reserve fund and the audit must be conducted in accordance with Generally Accepted Government Auditing Standards. The requirements of the audit are set out in detail in Attachment A – Scope of Work.

Proposals are due by May 24, 2010. Batchelder will review the responses and make a recommendation to the Board, who will then select the firm to conduct the audit and contract with the selected firm. The audit for 2009 must be completed and an opinion rendered on or before August 31, 2010.

Background

In 1999, the State of Vermont established its first statewide Energy Efficiency Utility (EEU). The purpose of the EEU is to provide energy efficiency services throughout the state.

Pursuant to 30 V.S.A. § 209, all electric distribution utilities offering services to the citizens of Vermont are required to include on their customers’ bills a volumetric charge known as the energy efficiency charge (EEC). The EEC is determined annually by the Board. The electric utilities are required to send the EEC amounts billed to the VEEUF each month. There are currently 20 distribution utilities that contribute to and/or receive monies from the VEEUF with the total billing and collection at approximately \$30 million annually.

Batchelder serves as the Fiscal Agent of the VEEUF via a contractual relationship with the Board. On a monthly basis, electric distribution utilities submit a carrier remittance worksheet (Attachment 2-5) to Batchelder. The remittance worksheet provides the calculation of the amount due, based on the carrier-specific assessment rate and the utility’s reported sales. In addition, Vermont Energy Investment Corporation and the City of Burlington Electric Department each submit monthly ISO-NE Forward Capacity payments. Batchelder, in its role as Fiscal Agent, collects the assessments from contributors and disburses funds to qualified recipients as designated by the Board or the Contract Administrator. There are approximately 20 receipts and 8 disbursements each month, for a total of approximately 360 transactions per year. Disbursements involve three to four checks and three electronic payments each month. The books are maintained in Quickbooks and monthly reconciliations and reports are maintained and mailed to the Board.

Currently, the EEU program also includes a Contract Administrator, who serves under contract to the Board. The Contract Administrator approves most invoices that are paid from the VEEUF and provides monthly budget information to the Fiscal Agent.

The Board has determined that the structure of the EEU program should be changed from the current contract model to an Order of Appointment model. This will not change the VEEUF Fiscal Agent's contractual relationship with the Board. However, once the transition to an Order of Appointment model occurs, there will no longer be a need for an EEU Contract Administrator. It has not yet been determined how the Contract Administrator's responsibilities will be reassigned; the reassignment will affect the Fiscal Agent to an unknown extent, but at the very least, there will be a different process for submitting invoices and providing monthly budget information. This is one of the transition issues still being discussed in Docket 7466. At the current time, it is unknown exactly when the transition to an Order of Appointment model will occur (it depends in part on the result of certain activities now being conducted in the Docket), but it is likely to occur sometime between August 2010 and January 1, 2012. If it occurs during the time period covered by the 2010 audit, there may be new processes related to the disbursement of funds that would need to be reviewed as part of the audit. If the transition does not occur until after that time, we expect the scope of work for 2010 to be identical to that for 2009.

Other Requirements

The firm or accountant must be a licensed certified public accountant or accounting firm. Proof of ability to practice in the State of Vermont, as certified by the Vermont Secretary of State, must be provided upon request.

The firm or accountant must be free of all internal and external impairments to independence and a statement to this effect must be provided.

The contract resulting from this Request for Proposals will adhere to the State of Vermont's Customary State Contract Provisions, a copy of which are attached.

Proposal Organization and Submission

The proposal must be organized in the following format and must contain, at a minimum:

- a) Letter of Transmittal
- b) Summary of Proposal
- c) Objectives/Scope of Audit
- d) Cost Proposal
- e) Project Schedule/Timeline
- f) Information about audit team members (including resumes, qualifications, and experience)
- g) Client References (3)
- h) Copy of most recent external quality control report (Peer Review, must be within the past 3 years)

The transmittal letter accompanying each proposal must contain the following items:

- Identification of the submitting organization
- Name and title of the individual authorized to make the contractual obligation
- Name(s) and telephone number(s) of those to be contacted for clarification
- Signature of individual authorized to make the contractual obligation

In the event additional recommendations or enhancements are proposed by the bidder, a summary of the cost, reasons and benefits should be included to substantiate the recommendation.

Proposals (including three copies) should be submitted by May 24, 2010 and forwarded to:

Batchelder Associates, PC
Attn: Bonnie Batchelder
1 Conti Circle Suite 1
Barre, VT 05641

Contact Information

For questions or further clarification, please contact Bonnie Batchelder at 802-476-9490 or email bbatchelder@batcheldercpa.com

Batchelder will review the proposals and provide a recommendation to the Board. However, the Board is responsible for selecting a firm to conduct the audit and will contract with the selected firm. The Board will contact the selected firm by June 4, 2010.

ATTACHMENT A

Scope of Work

Contractor will audit the Vermont Energy Efficiency Fund (VEEUF) for the years ending December 31, 2009, and 2010. Contractor will issue a written report on Batchelder Association PC's internal controls and compliance relative to its role as Fiscal Agent of the VEEUF. The audits will be made in accordance with generally accepted auditing standards and government auditing standards and will include tests of the Fiscal Agent's accounting records and other procedures necessary to enable Contractor to express an opinion on the Fiscal Agent's general purpose financial statements.

Contractor's procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receipts and receivables, cash balances, liabilities, and other items by correspondence with selected electric distribution utilities, creditors, and banks. Contractor may request written representations from the Fiscal Agent's attorneys as part of the engagement; any costs that the fiscal agent might incur in responding to this inquiry would not be borne by Contractor. At the conclusion of each audit, Contractor will also request certain written representations from the Fiscal Agent about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, Contractor's audit will involve judgment about the number of transactions to be examined and the areas to be tested. Contractor will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because Contractor will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by Contractor. Contractor will advise the Board, however, of any matters of that nature that come to its attention.

The Fiscal Agent is expected to provide Contractor with the basic information required for the audit and the Fiscal Agent is responsible for the accuracy and completeness of that information.

Contractor will use generally accepted auditing standards and government auditing standards that will include tests of the accounting records and other procedures Contractor considers necessary in order to enable it to express an opinion on the Fiscal Agent's general purpose financial statements.

Contractor shall apply the Risk Assessment Standards, SAS Nos. 104 -111, to its audits. The standards require Contractor to plan its audits using a risk-based approach after gaining an understanding of the entity and its environment, including its internal control. Contractor will use inquiries of management and others within the entity, analytical procedures, and observation and inspection to make this assessment. Contractor will consider risks to classes of accounts or account groups at the assertion level and plan its audit to address those risks, based on Contractor's assessment of materiality, using analytical and substantive procedures. The nature, timing, and extent of Contractor's procedures will be based on its original risk assessment and Contractor's evaluation of the sufficiency and appropriateness of the audit evidence obtained in order to reduce the risk of material misstatement to an acceptably low level.

Initial procedures related to Contractor's audit of the 2009 Vermont Energy Efficiency Utility Fund (VEEUF) will include the following:

- Horizontal analysis of VEEUF's FY 2009 and FY 2008 trial balance
- Proof FY 2008 fund balance - unreserved to FY 2009 fund balance - unreserved
- Determine who in management is responsible for writing Management's Discussion and Analysis and be sure they are prepared to do so
- Gain an understanding of internal control and consider testing key controls for operating effectiveness
- Review the VPSB's established methodology for billing of the 2009 EEC for each electrical distribution utility and compare to methodology in practice
- Compare the amount to be collected by the 2009 EEC to the actual amounts collected
- Review the accuracy of the carrier remittance worksheets submitted to Batchelder Associates, PC
- Perform tests to confirm that amounts reported actually exist
- Review the accuracy of the ISO-NE Forward capacity payments worksheets submitted to Batchelder Associates, PC
- Review the accuracy of the transfers of funds resulting from the sale of Regional Greenhouse Gas Initiative allowances into the VEEUF
- Confirm receivables and assessments with distribution utilities
- Inquire of the VPSB regarding special areas of concern related to compliance
- Review pertinent laws, regulations and contracts and test compliance in areas that could have a direct and material effect on the determination of financial statement amounts
- Review management letter provided by G.W. Osterman & Co., P.C. related to the September 1, 2009, audit report and consider additional audit procedures related to their comments
- Apply audit procedures to current liability accounts as considered necessary
- Apply audit procedures to distributions to the Vermont Energy Investment Corporation by VEEUF
- Consider the reasonableness of administrative and tax expense and apply audit procedures as considered necessary
- Test expense of service contract with Batchelder Associates, PC
- Apply audit procedures to the home weatherization assistance trust fund assessments collected from VEEUF
- Inquire as to any other required assessments payable to other funds for FY 2009
- There is an approximate total of 360 transactions in the fiscal year, auditor will scan the general ledger detail and apply tests as deemed necessary for additional assurance
- Review evidence obtained and consider additional audit evidence needed
- Consider the financial statements and related notes and disclosures for occurrence and rights and obligations, completeness, and classification and understandability

Contractor shall follow these or substantially similar procedures for the audit of the VEEUF for the year ending December 31, 2010. Any substantial deviation from these procedures must be approved in writing by the state.

STANDARD STATE PROVISIONS FOR CONTRACTS AND GRANTS

1. **Entire Agreement:** This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This Agreement will be governed by the laws of the State of Vermont.
3. **Definitions:** For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.
4. **Appropriations:** If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.
5. **No Employee Benefits For Party:** The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
6. **Independence, Liability:** The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

7. **Insurance:** Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state

through the term of the Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Operations Aggregate
\$ 50,000 Fire/ Legal/Liability

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

8. **Reliance by the State on Representations:** All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.
9. **Requirement to Have a Single Audit:** In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and if this Subrecipient expends \$500,000 or more in federal assistance during its fiscal year, the Subrecipient is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The Subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulating or grant agreements do not require a financial statement audit of the Party.

A Subrecipient is exempt if the Party expends less than \$500,000 in total federal assistance in one year.

The Subrecipient will complete the Certification of Audit Requirement annually within 45 days after its fiscal year end. If a single audit is required, the sub-recipient will submit a copy

of the audit report to the primary pass-through Party and any other pass-through Party that requests it within 9 months. If a single audit is not required, the Subrecipient will submit the Schedule of Federal Expenditures within 45 days. These forms will be mailed to the Subrecipient by the Department of Finance and Management near the end of its fiscal year. These forms are also available on the Finance & Management Web page at:

<http://finance.vermont.gov/forms>

10. **Records Available for Audit:** The Party will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the Agreement and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Agreement.
11. **Fair Employment Practices and Americans with Disabilities Act:** Party agrees to comply with the requirement of Title 21V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990 that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement. Party further agrees to include this provision in all subcontracts.
12. **Set Off:** The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.
13. **Taxes Due to the State:**
 - a. Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
 - b. Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.
 - c. Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.
 - d. Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.
14. **Child Support:** (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement is signed, he/she:
 - a. is not under any obligation to pay child support; or

- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

- 15. **Sub-Agreements:** Party shall not assign, subcontract or subgrant the performance of his Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include in all subcontract or subgrant agreements a tax certification in accordance with paragraph 13 above.
- 16. **No Gifts or Gratuities:** Party shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.
- 17. **Copies:** All written reports prepared under this Agreement will be printed using both sides of the paper.
- 18. **Certification Regarding Debarment:** Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs or programs supported in whole or in part by federal funds.
- 19. **Confidential Nature of Board and Staff Deliberations:** Contractor recognizes the confidential nature of the quasi-judicial deliberations of the Board and its staff and agrees to respect and honor those confidences.